Dear Mr Gray,

The Committee agreed that I should write to you following our recent evidence session with NHS Tayside. I have also written separately to the Cabinet Secretary about this meeting, on the specific matter of NHS Tayside’s NRAC funding.

Given the well-publicised and long-standing problems with the board’s financial management, we welcome the creation of an independent Assurance Advisory Group, which will provide challenge, advice and assurance on its five year transformation programme. Such input is clearly required.

The Committee has full respect for the members of the Group, however, we are concerned that it may not have the requisite financial expertise to be able to analyse and question fully the board’s financial performance and assumptions. We therefore trust that you will ensure that the Group will have an additional member with financial expertise and a full understanding of health board budgets, or access to independent and credible financial expertise that will allow the group to fully discharge its remit.

The Group will report to you within three months with an action plan. Given the extensive evidence that we have taken from and about NHS Tayside, we have set out in the annexe below a number of specific issues that we hope the Group will take into account.

Once the Group has reported, the Committee may take further evidence in order to assess the progress made and to determine the challenges remaining for NHS

---

Tayside. Should any significant issues arise in the interim, the Committee would welcome a written update from you.

I would also be grateful if you could confirm the following points to the Committee—

- how you expect the Group to work with key stakeholders including staff, trade unions, patients' groups and the area partnership forum;
- that the Group’s final assurance report and action plan will be made publicly-available;
- whether you have agreed to pay further brokerage of £4m for financial year 2017/18, as NHS Tayside suggested in oral evidence².

I have copied this letter to NHS Tayside, the convener of the Parliament’s Health and Sport Committee and to all integration joint boards (IJBs) in the Tayside area, given it raises potentially wider issues around IJBs and around brokerage.

Regards,

Jenny Marra MSP
Convener

---

² “It is my understanding that Mr Gray has agreed that he is willing to sanction up to £4 million of additional brokerage for the financial year in question, which is 2017-18.”
Annexe

We have set out below the main issues that we consider should be taken into consideration by the Group as it works with NHS Tayside. Underpinning all these issues is our strong belief that no health service user should suffer any detriment as a result of NHS Tayside’s financial problems.

- NHS Tayside has now received loans (brokerage) from the Scottish Government for five years and has planned on the assumption that it will also receive a loan for financial year 2017/18. Only two other boards have outstanding brokerage to repay, and the combined amount of that debt is significantly less than NHS Tayside’s. According to the Auditor General, brokerage is supposed to be used as additional funding to help a board manage unexpected changes to planned expenditure. We do not consider that is an appropriate description of the situation at NHS Tayside and ask the Group to consider whether the ongoing use of brokerage has prevented the underlying financial difficulties being properly addressed;

- There has to be complete honesty and transparency about the likely need for, and repayment of, future brokerage. We were assured by NHS Tayside in December that its projected £11.7 million deficit for the 2016/17 financial year would be met by loans from the Scottish Government. It did not anticipate any impact on the level of services being provided. However, the Scottish Government subsequently confirmed a further £1.5 million of loans for that year, in its words: “to avoid the prospect that NHS Tayside would otherwise require to take cost saving action which would impact delivery of patient care”. In other words, it seems that without a further loan services would have suffered;

- Similarly, we were assured by NHS Tayside that “our plans for the next five years … include the full repayment of any outstanding brokerage over that period of time.” However, just three months later, NHS Tayside’s five-year plan shows £2.6 million of loans still outstanding at the end of that period. It is not clear how the figure of £2.6 million has been calculated, given the Scottish Government loaned an additional £1.5 million;

- NHS Tayside’s one and five year plans, quite rightly, place an emphasis on improving the patient and staff experience. An important part of this is ensuring that the board communicates in as clear, unambiguous and jargon-free a way as possible so that people can readily understand the current performance of NHS Tayside and what its financial difficulties mean in practice. We therefore regret that some of the language used in the plans does not meet these tests, and consider that financial information could be provided in a much more understandable and user-friendly manner. We therefore ask the Group to ensure that its final report fully takes these points into account;


• We made clear at our meeting that the plans, particularly the five year change programme, lacked detail on how savings would be delivered. That said, we want to encourage NHS Tayside – and public bodies in general – to be as open and transparent as possible, and to encourage longer-term financial planning.

• There is very little detail in the five year plan about the amount of efficiencies to be realised through each of the four “elements” i.e. property, medicines management, workforce and care assurance, and eHealth. We have questioned the board in some detail about the first three of these areas but did not have time to discuss the eHealth strategy. Given the well-publicised problems experienced by other public sector IT projects, we hope the Group will pay particular attention to this strategy including the likely cost of replacing existing systems and the likely timing and amount of any savings that may be released;

• In seeking assurance on the board’s financial planning, and calculating the financial savings that could be derived, the Group should take the following specific points into account—
  o NHS Tayside should ensure a much more appropriate balance between recurring and non-recurring savings – this is an issue of significant concern to the Committee;
  o the basis on which the various elements of NHS Tayside’s ‘2017/18 efficiency programme’\(^5\) were categorised as high or medium risk, and the extent to which savings are likely to be realised. As far as possible a similar exercise should be carried out for the following four years;
  o the Scottish Government recently told the Committee that NHS Tayside would receive an extra £8m a year recurring funding from 2017/18 that it had not previously expected. The Group should consider how this additional funding has affected NHS Tayside’s medium-term financial and scenario planning;
  o table two on page 29 of the five year plan contains no entries for ‘investment in reform’ and ‘Other investment’. Similar to the point above, the Group should consider how likely allocations could affect financial assumptions. There is also the potential impact of the various consultations mentioned in the plans, particularly the prescribing strategy;

• Should the one year or five year transformation plan be revised, the Group and NHS Tayside should also consider how savings could be presented more clearly. The plan contains ‘visions’, ‘values’, ‘strategic themes’ and ‘essential enablers’, in addition to the four ‘elements’ highlighted above. The one year plan appears to be based around the different terminology of ‘workstreams’ and ‘service plans’. It is in some but not all of these service plans that savings have been identified. However, the risk assessment table on page 53 then uses different terminology.

\(^{5}\) See page 53 of the one-year plan.
On page 8 of the five year plan, NHS Tayside states one of its main outcomes as being “improving patient outcomes, quality and safety”. The Group should ensure that NHS Tayside has established a benchmark to measure whether improvement is actually delivered over the five year period. Otherwise, there is a risk of unsubstantiated claims being made.

In the context of our discussion about achieving ‘high risk’ efficiencies, NHS Tayside set out some of the complexities involved in working with integrated joint boards (IJBs). In particular, it was noted that partnerships with IJBs increases the risk for NHS Tayside’s budget, in terms of its ability to move delayed discharge patients. We therefore expect that the Group will, as appropriate, discuss with IJBs how the efficiencies in question will actually be realised by NHS Tayside.

---

6 See columns 20 to 22 of the Official Report.